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YOUTHTRUTH, INC.
REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/28/07

YOUTHTRUTH, INC.
REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS
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DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
YouthTruth, Inc.
Slidell, LA 70461

I have audited the accompanying statement of financial position of YouthTruth, Inc., (a nonprofit organization), as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended. These financial statements are the responsibility of YouthTruth, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

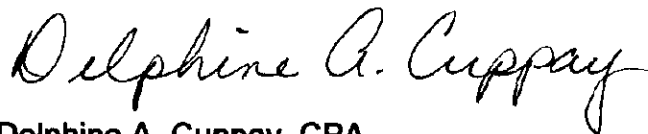
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YouthTruth, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was performed for the purpose of forming an opinion on the basic financial statements of YouthTruth, Inc. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in my opinion,

is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 14, 2007 on my consideration of YouthTruth, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in cursive script that reads "Delphine A. Cuppay". The signature is written in black ink and is positioned above the printed name and title.

Delphine A. Cuppay, CPA
Slidell, Louisiana

November 14, 2007

YOUTHTRUTH, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2007

ASSETS	
<u>Current Assets:</u>	
Cash and cash equivalents	\$ 7,459
Accounts receivable grants and contracts (Note 3)	60,764
Prepaid expenses (Note 4)	3,389
Total current assets	71,612
<u>Property and Equipment:</u> (Note 5)	
Furniture and equipment (Net of accumulated depreciation of \$8,276)	34,873
<u>Other Assets:</u>	
Security deposits	4,000
TOTAL ASSETS	\$ 110,485 =====
LIABILITIES AND NET ASSETS	
<u>Current Liabilities:</u>	
Accounts payable	\$ 3,614
Payroll taxes payable	16,371
Lines of credit (Note 6)	2,331
Due to directors (Note 7)	19,968
Current portion of long term debt	869
Total current liabilities	43,153
<u>Long Term Debt</u>	
Small Business Administration Loan (Note 8)	48,474
Total liabilities	91,627
<u>Net Assets:</u>	
Unrestricted net assets	
Undesignated net assets	1,104
Temporarily restricted net assets (Note 9)	17,754
Total net assets	18,858
TOTAL LIABILITES AND NET ASSETS	\$ 110,485 =====

See accompanying notes and accountant's report.

YOUTHTRUTH, INC.
STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2007

UNRESTRICTED NET ASSETS:	
Revenue and support:	
Grants and contracts	\$ 20,000
Other program services fees	4,955
Contributions	1,299
Special events	2595
Net assets released from restrictions	593,552
	<hr/>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	622,401
EXPENSES:	
Program services	516,070
Supporting services:	
Management and general	81,720
Grant expenses	0
Fundraising expenses	980
	<hr/>
Total expenses	598,770
	<hr/>
INCREASE IN UNRESTRICTED NET ASSETS	23,631
TEMPORARILY RESTRICTED NET ASSETS:	
State Grants - funding for current year	273,022
Other grants and contracts for the current year	338,284
Interest income	0
Net assets released from restrictions	(593,552)
	<hr/>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	17,754
 INCREASE IN NET ASSETS	 41,385
 NET ASSETS AT BEGINNING OF YEAR	 (22,527)
	<hr/>
NET ASSETS AT END OF YEAR	\$ 18,858
	=====

See accompanying notes and accountant's report.

YOUTHTRUTH, INC.
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 41,385
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation expense of furniture and equipment	6,589
(Increase) Decrease in operating assets:	
Accounts receivable grants and contracts	(32,861)
Prepaid expenses	(527)
Increase (Decrease) in operating liabilities:	
Accounts payable	3,614
Payroll taxes payable	13,280
Lines of credit	(4,710)
Due to directors	(53,512)
Current portion of long term debt	869
NET CASH PROVIDED BY OPERATING ACTIVITIES	(25,873)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture and equipment	(28,727)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(28,727)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long term debt	50,000
Principal payments on long term debt	(657)
NET CASH PROVIDED BY FINANCING ACTIVITIES	49,343
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (5,257)
BEGINNING CASH AND CASH EQUIVALENTS	12,716
NET CASH AND CASH EQUIVALENTS	\$ 7,459 =====

See accompanying notes and accountant's report.

YOUTHTRUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Program Services	Managmt. & General	Grant Expense	Fund- Raising	Total
Compensation and related expenses:					
Compensation:					
Executive Director	\$ 16,846	50,539			\$ 67,385
Clinical Director	55,093				55,093
Administrative Asst	24,978	8,326			33,304
Counselors	<u>70,718</u>				<u>70,718</u>
Total Wages	167,635	58,865			226,500
Related benefits:					
Payroll taxes	14,692	4,689			19,381
Accounting		6,387			6,387
Advertising	0	1,178			1,178
Bank charges	476				476
Client services exp.	29,009				29,009
Depreciation-Furn.&Equip	6,589				6,589
Dues & subscriptions		102			102
Expensed equipment	5,038				5,038
Fundraising expenses				980	980
Grant expenses			0		0
Insurance expense	17,600	4,191			21,791
Interest expense		2,571			2,571
License and permits		1,444			1,444
Maintenance & repairs	11,524				11,524
Meetings, seminar & conver	6,258	645			6,903
Miscellaneous	1,392	1,648			3,040
Professional counselors	148,416				148,416
Rent expense	50,916				50,916
Telephone	8,208				8,208
Utilities	13,564				13,564
Supplies:					
Educational supplies	3,052				3,052
Food supplies	6,608				6,608
Office supplies & postage	18,548				18,548
Operating supplies	4,582				4,582
Recreational equip & supply	1,963				1,963
TOTALS	\$ 516,070	81,720	0	980	598,770
	=====	=====	=====	=====	=====

See accompanying notes and accountant's report.

YOUTHTRUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1-ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization

(1) The Organization

YouthTruth, Inc., incorporated as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code in March, 2002, is dedicated to improving the mental, behavioral and emotional well-being of adolescents and adults in the St. Tammany Parish, Louisiana area. The Organization operates a counseling center known as YouthTruth which is currently located at 316 Howze Beach Road, Slidell, Louisiana and is staffed by social workers, educators, family therapists, case managers and counselors specializing in adolescents and families.

(2) The Nature of Program Services

YouthTruth, Inc. operates two types of programs - youth programs and adult programs. The youth programs are designed to target youths at greatest risk of delinquency - whether drugs, pregnancy and sexual promiscuity, theft and/or assault or school related issues such as truancy, expulsion and drop-out. Often these youths display emotional, interpersonal or family issues that precipitate behavioral issues or put youths at greater risk for delinquency. Counseling and case management are provided focusing on age-appropriate issues teens face in today's society. Family therapy is designed to improve communication and strengthen family structure.

In addition, YouthTruth is licensed by the State of Louisiana, Department of Health and Hospitals as an intensive outpatient substance abuse clinic for adults and adolescents and as such YouthTruth has also implemented an adult intensive outpatient substance abuse program. To accommodate clients in the West St. Tammany Parish area, YouthTruth has established an Outreach location at 317 North Jefferson, Covington, Louisiana as a space to conduct psycho education sessions on a regular basis and provide other Outreach services.

3) Economic Dependence

YouthTruth, Inc. is significantly funded by the State of Louisiana, Department of Health and Hospitals, Office of Addictive Disorders. Should the State of Louisiana cut its funding or disallow items, YouthTruth, Inc. would be required to reduce its services.

B. *Significant Accounting Policies*

(1) Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting and financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, YouthTruth, Inc. is required to report its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Also required is the presentation of a statement of cash flows.

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of YouthTruth, Inc. pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of YouthTruth, Inc.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

YouthTruth, Inc. does not have any permanently restricted net assets for fiscal year ended June 30, 2007.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(2) Contributions

YouthTruth, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

YouthTruth, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The organization reports contributions of assets other than cash at their estimated fair value at the date of the gift and are reported as revenues of the unrestricted net asset class unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenues of the temporarily restricted or permanently restricted net asset classes. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted assets are recognized in unrestricted net assets as "net assets released from restrictions" in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

(3) Property and Equipment

Land, major renovations or major repairs and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at date of donation. Minor renovations or repairs are charged to operations and maintenance as incurred. Small furniture and equipment items with a cost or, if donated, a value of less than \$300 are expensed during the year. Depreciation of furniture and equipment is provided on the straight-line basis over an estimated useful life of five years. Leasehold improvements are amortized over an estimated useful life of ten years. Amortization expense of leasehold improvements is included in the depreciation expense reported in the financial statements.

(4) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and revenues and expenses recognized during the reported period. Actual results could differ from those estimates.

(5) Cash and Cash Equivalents and Concentrations of Credit Risk

Cash and cash equivalents consist of cash held in checking accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Since the amounts held in these checking accounts do not exceed the insured limit, management believes YouthTruth, Inc. is not exposed to any significant credit risk on cash and cash equivalents.

(6) Functional Allocation of Expenses

The cost of providing the program and administering the related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, expenses that benefit both program and supporting services have been allocated using management's estimates.

YouthTruth, Inc.'s activities of fundraising and membership services in many cases include purposes or contents related to a program service. American Institute of Certified Public Accountants Statement of Position 98-2 states that joint costs of informational materials or activities should be allocated between fundraising and the appropriate program or general function if it can be demonstrated that a program or general function has been performed in conjunction with the appeal for funds. Although YouthTruth, Inc. has the ability to give evidence for such combined activities, it does not allocate those portions from its fundraising and membership activities to program services.

(7) Donated Materials and Services

YouthTruth, Inc. records the value of donated goods and services received when there is an objective basis available to measure their value. Donated furniture and fixtures are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated food, clothing or services as no objective basis is available to measure the value of such goods or services.

(8) Income Taxes

YouthTruth, Inc. has received a determination letter from the Internal Revenue Service (IRS) indicating that it is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, and is exempt from Federal and state income taxes. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. No provision has been made for income taxes in the accompanying financial statements since YouthTruth, Inc. does not have a significant amount of unrelated business income for fiscal year ended June 30, 2007.

(9) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and demand deposits with financial institutions.

(10) Operations

YouthTruth, Inc. entered into a fee for service agreement with the State of Louisiana, Department of Health and Hospitals, Office of Addictive Disorders for services rendered in connection with counseling St. Tammany Parish alcohol and drug clients and their families about an addictive substance free lifestyle and the necessity of making changes in their lives in order to reach that goal and maintain it for the rest of their lives.

It has also entered into cost reimbursement agreements with the 22nd Judicial District Court of the Parish of St Tammany, State of Louisiana for an adult drug court treatment program and with the City Court of Slidell's Juvenile Drug Court, Slidell, Louisiana for a substance abuse assessment, treatment and referral program for program participants of the City Court of Slidell's Juvenile Drug Court Program. Services rendered in connection with these substance abuse court mandated counseling programs are consistent with and in conformity with the State of Louisiana Department of Health and Hospitals, Office of Addictive Disorders.

YouthTruth, Inc. has also entered in a cost reimbursement agreement with the Louisiana Office of Youth Development in connection with a Court Empowerment Contract for the 22nd Judicial District Court, City Court of Slidell, Slidell, Louisiana area. The purpose of the Court Empowerment Program is to reduce the number of youth from the ages of 10 to 17 who may be removed from their family environment and placed in the custody of the Office of Youth Development by providing community-based prevention and diversion services to at-risk youth and families. This program is administered in an after school setting (typically from 3:00 PM - 6:00 PM) and are available daily for individual, groups, multi-family groups and psycho-educational classes. The after school component does not interfere with school attendance and assists parents in receiving needed services which do not needlessly interfere with their employment schedules. Participants are monitored by case manager for the duration of the six-month period and provide and/or recommend services as needed.

(11) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of activities and changes in net assets in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

NOTE 2 - GRANTS FROM GOVERNMENTAL AGENCIES

Included in the grants from governmental agencies are the following:

(1) \$318,284 received under a fee for service contract with the State of Louisiana, Department of Health and Hospitals, Office of Addictive Disorders, all of which were federal funds through United States Department of Health and Human Services, Substance Abuse & Mental Health Services Administration in connection with a program known as "Access to Recovery."

(2) \$164,058 received under a cost reimbursement contract with the 22nd Judicial District Court of the Parish of St. Tammany, State of Louisiana, which included \$22,505 of federal funds through United States Department of Health and Human Services, Administration of Children and Families in connection with Temporary Assistance for Needy Families (TANF).

(3) \$81,500 received under a cost reimbursement contract with the City Court of Slidell's Juvenile Drug Court, Slidell, St. Tammany Parish, Louisiana, all of which were federal funds through United States Department of Health and Human Services, Administration of Children and Families in connection with Temporary Assistance for Needy Families (TANF).

(4) \$27,464 received under a cost reimbursement contract with the Louisiana Office of Youth Development in connection with a Court Empowerment Contract for the 22nd Judicial District Court, City Court of Slidell, Slidell, Louisiana area, all of which were federal funds through United States Department of Health and Human Services, Administration of Children and Families in connection with Temporary Assistance for Needy Families (TANF).

NOTE 3 - ACCOUNTS RECEIVABLE

The accounts receivable is due from various grantors listed below for services provided through June 30, 2007. All receivables are expected to be received in a timely manner. The accounts receivable balance consists of the following:

Office of Abusive Substances-Access to Recovery	\$29,058
22 nd Judicial District Drug Court Program	13,565
City Court of Slidell's Drug Court Program	6,495
City Court of Slidell Court Empowerment Grant	<u>11,646</u>
Total Accounts Receivable	<u>\$60,764</u>

NOTE 4 - PREPAID EXPENSES

Prepaid expenses in the amount of \$3,389 consists of prepaid insurance premiums as of fiscal year ended June 30, 2007.

NOTE 5 - PROPERTY AND EQUIPMENT

Depreciation is calculated using the straight line method over a useful life of five years. Small furniture and equipment items with a cost or, if donated, a value of less than \$500 are expensed during the year. Leasehold improvements are amortized over ten years. Property and equipment consist of the following:

	Costs as of			Costs as of
<u>Property & Equipment</u>	<u>06/30/06</u>	<u>Additions</u>	<u>Dispositions</u>	<u>06/30/07</u>
Computer equipment	\$ 5,275	\$ 6,591	\$ 0	\$ 11,866
Furniture and fixtures	<u>9,147</u>	<u>22,136</u>	<u>0</u>	<u>31,283</u>
TOTALS	\$ 14,422	\$ 28,727	\$ 0	\$ 43,149

	Accum. Depre. as of	Depre. Expense	Write Off Depreciation	Accum. Depre. as of
<u>Property & Equipment</u>	<u>06/30/06</u>	<u>Expense</u>	<u>Depreciation</u>	<u>06/30/07</u>
Computer equipment	\$ 430	\$ 1,911	\$ 0	\$ 2,341
Furniture and fixtures	<u>1,257</u>	<u>4,678</u>	<u>0</u>	<u>5,935</u>
TOTALS	\$ 1,687	\$ 6,589	\$ 0	\$ 8,276

Costs of Assets as of 06/30/07	\$43,149
Less Accumulated Depreciation	<u>8,276</u>
Net Book Value as of 06/30/07	\$34,873

NOTE 6 - LINES OF CREDIT

Dell Financial has provided a credit line in the amount of \$6,000 for the purchase of computer and computer related equipment of which \$5,541 remains unused, leaving a balance due of \$459 on the account and Office Depot has provided a credit line in the amount of \$3,000 for the purchase of office furniture, equipment and office supplies of which \$1,128 remains unused, leaving a balance due of \$1,872 on the account for a total of \$2,331 as due and payable on these credit lines as of fiscal year ended June 30, 2007.

NOTE 7 - DUE TO DIRECTORS

The amount due to directors represent short-term loan amounts of various dates during fiscal years ended June 30, 2005 and June 30, 2006 which are non-interest bearing and have no maturity dates.

During fiscal years ended June 30, 2005 and June 30, 2006, Randy Weaver of The Board of Directors of YouthTruth, Inc. personally loaned the Organization a total of \$39,468 to cover the costs of rent for its former teen center facility destroyed by Hurricane Katrina and various other operating expenses. As of fiscal year ended June 30, 2006, Chris Russell of The Board of Directors of YouthTruth, Inc. personally loaned the Organization a total of 29,143 to cover various operating expenses. During fiscal year ended June 30, 2007, the Organization made regular payments to Randy Weaver and Chris Russell for a total of \$48,643 thereby eliminating the short term loans from Chris Russell and leaving a balance due Randy Weaver in the amount of \$19,968 as of fiscal year ended June 30, 2007.

NOTE 8 - SMALL BUSINESS ADMINISTRATION LOAN

YouthTruth, Inc. borrowed \$50,000 from the Small Business Administration during fiscal year ended June 30, 2007 as part of its efforts to recover from the devastation of Hurricane Katrina by which it lost its former pre-Katrina location and all its contents including furniture and fixtures.

The aggregate maturities of the long term debt for each of the five years subsequent to June 30, 2007 are as follows:

2008	\$ 869
2009	904
2010	838
2011	782
2012	<u>808</u>
	\$ 4,201

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2007 consists of the unused portion of a \$20,000 Ruth Lilly Philanthropic Foundation Grant received during fiscal year ended June 30, 2007 which was restricted by the grantor to be used for the benefit of YouthTruth's adolescent after-school program. The unused portion of the grant amounted to \$17,754 as of June 30, 2007.

NOTE 10 - ACCRUED EMPLOYEE BENEFITS

No amount has been reflected in the financial statements for accrued compensated absences as the amount cannot be reasonably estimated.

NOTE 11 - SPECIAL FUND-RAISERS

All contributions received came in from time to time from spontaneous donations by people and organizations moved to help with the costs of funding the program. During the year there was one special fund-raiser. Reggie Bush of the New Orleans Saints Football Team autographed two footballs which were donated by the Slidell Police Department to be used as fundraiser items. YouthTruth, Inc. decided to raffle off the two footballs which generated fundraiser income in the amount of \$2,595 and incurred expenses in the amount of \$980 resulting in net proceeds of \$1,615 for YouthTruth, Inc. during fiscal year ended June 30, 2007.

NOTE 12 - ADVERTISING COSTS

YouthTruth, Inc. expenses the costs of advertising as they are incurred. During fiscal year ended June 30, 2007, YouthTruth, Inc. paid \$1,178 in advertising costs for the advertisement of employment positions available

at their new facility. There were no other advertising costs expensed during the year.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Required by Statement of Accounting Standards (SFAS) No. 107, *Disclosure about Fair Value of Financial Instruments*, disclosure of fair value information about certain financial instruments is required, whether or not recognized in the statement of financial position for which it is practicable to estimate that value. The following methods and assumptions were used in estimating fair value:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Cash and cash equivalents	\$7,459	\$7,459

Cash and cash equivalents consists entirely of monies held in bank checking accounts. The carrying value of cash and cash equivalents approximates fair value because of the ease of convertibility of these financial instruments into cash at any given time as the need may arise.

NOTE 14 - RENT, RENTAL COMMITMENTS AND LEASING ARRANGEMENTS

After the loss of YouthTruth, Inc.'s former facility due to Hurricane Katrina, the Organization rented a building located at 1929 Second Street, Slidell, Louisiana under a lease agreement specifying a rate of \$2,900 a month for a total of \$34,800 in rental expense for this building for fiscal year ended June 30, 2007. However, during the year, a facility became available that was more in line with YouthTruth's needs and expansion purposes. The Organization tried to be released from its lease obligation for the 1929 Second Street location but to no avail. Ultimately, the landlord did agree to allow YouthTruth to sublease the building to another organization who was interested in renting it until the lease expired. Also, YouthTruth, Inc. was a sub-lessor of office space for clinical and educational purposes and the rental expense of \$34,800 described above was offset by \$2,167 in sublease rental income for unused office space during the time YouthTruth, Inc. occupied the building. After YouthTruth sublet its entire location at 1929 Second Street at a rate of \$2,900 a month, the sublease rental income of \$21,600 was also used to offset the \$34,800 rental expense for the year thereby leaving a balance of \$11,033 as net rent expense for the 1929 Second Street location as of fiscal year ended June 30, 2007.

On August 7, 2007, YouthTruth, Inc. entered into a three year lease agreement (with an option to renew) for its current location at 316 Howze Beach Road, Unite B, Slidell, Louisiana with monthly rent stipulated at \$4,000 per month for a total of \$37,333 for fiscal year ended June 30, 2007.

Future minimum lease payments under the lease agreement that has initial or remaining noncancelable terms in excess of one year as of June 30, 2007 are as follows:

2008	\$ 48,000
2009	48,000
2010	<u>4,000</u>
	\$100,000

In addition to the above facilities, in an effort to provide Outreach services to the St. Tammany Parish community, a semi-permanent arrangement was made with the City of Covington to use space in one of its buildings known as the Greater Covington Center located at 317 North Jefferson, Covington, Louisiana to conduct its psycho education sessions and provide other Outreach services to individuals in the West St Tammany Parish area. Rent expense for this arrangement totaled \$2,550 for fiscal year ended June 30, 2007.

The total rent expense for fiscal year ended June 30, 2007 was \$74,683. This amount was offset by sub-lease agreements for its 1929 Second Street facility, which agreements generated a total of \$23,767, therefore, the total amount of net rental expenses amounted to \$50,916 for fiscal year ended June 30, 2007.

SUPPLEMENTARY INFORMATION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
YouthTruth, Inc.
Slidell, LA 70461

I have audited the financial statements of YouthTruth, Inc., (a nonprofit organization), as of and for the fiscal year ended June 30, 2007, and have issued my report thereon dated November 14, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered YouthTruth, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YouthTruth, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the YouthTruth, Inc.'s internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting - item 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

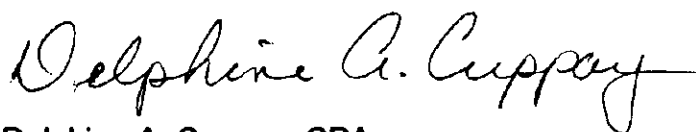
Compliance and Other Matters

As part of obtaining reasonable assurance about whether YouthTruth, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedules of findings and responses as item 2007-2.

I noted certain matters that I reported to management of YouthTruth, Inc. in a separate letter dated November 14, 2007.

YouthTruth, Inc.'s response to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit Youthtruth, Inc.'s response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and audit committee, if applicable, others within the organization, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "Delphine A. Cuppay".

Delphine A. Cuppay, CPA
Slidell, Louisiana

November 14, 2007

YOUTHTRUTH, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

I have audited the basic financial statements of YouthTruth, Inc. (a nonprofit organization) as of and for the fiscal year ended June 30, 2007, and have issued my report thereon dated November 14, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2007 resulted in an unqualified opinion.

Section 1 - Summary of Auditor's Reports

*a. Report on Internal Control and Compliance Material to the
Financial Statements*

Internal Control:

Material Weakness ☐ Yes ☒ No Significant Deficiency ☒ Yes ☐ No

Other Conditions ☐ Yes ☒ No

Compliance:

Noncompliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards

Internal Control Over Major Programs: **NOT APPLICABLE**

Material Weakness ☐ Yes ☐ No Significant Deficiency ☐ Yes ☐ No

Type of Opinion On Compliance

For Major Programs:

NOT APPLICABLE

Unqualified ☐

Qualified ☐

Disclaimer ☐

Adverse ☐

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)? ☐ Yes ☐ No

Section 1 - Summary of Auditor's Reports

c. *Identification of Major Programs:* **NOT APPLICABLE**

CFDA Numbers

Name of Federal Program or Cluster

Dollar threshold used to distinguish
between Type A and Type B Programs: \$500,000

Is the auditee a "low-risk" auditee,
as defined by OMB Circular A-133? ☐ Yes ☐ No

Section II - Financial Statement Findings

2007-1 Segregation of Duties

Condition: During the year a failure in internal control developed involving the segregation of duties with regard to general accounting functions. Because of the Executive Director's expertise in grant writing and grant requirements, there was effective allocation of costs and allowable cost requirements were being complied with, however general overall supervision and review of financial information was lacking.

Cause: This condition was caused by inadequate controls over cash and accounting functions and the general lack of overall supervision and review of financial information due to the small size of the Organization's accounting and administrative staff consisting of the Executive Director and the Chairman of the Board of Directors. The Executive Director was not only approving transactions but also maintaining the Organization's general ledger accounting program and recording transactions therein. He also prepared the monthly bank reconciliations but not always in a timely fashion.

Effect: This condition had the effect of weakening controls in the cash and accounting function, precluded segregation of duties, and because of the time lag it generated in properly recording transactions, it hindered the timely review of financial information for effective management purposes.

Criteria: Internal controls should be in place that provide reasonable assurance that there is segregation of duties with regard to approval for transactions, recordation of transactions, supervision and timely review of financial information.

Questioned costs: \$0

Recommendation: There should be a segregation of duties between authorization and approval of transactions and the recordation of transactions in the Organization's accounting records. A bookkeeper or accountant familiar with nonprofit cost reimbursement accounting and proficient in all aspects of the Organization's nonprofit general ledger program should be in charge of recordation of transactions and the maintenance of the Organization's general ledger program.

Management's Response: Management will segregate duties between authorization and approval of transactions and the recordation of transactions by hiring a bookkeeper familiar with nonprofit cost reimbursement accounting and proficient in all aspects of our computer generated general ledger program.

2007-2 With regard to Open Meetings as required by LSA-RS 42:1 through 42:12 (the open meetings law):

Condition: During the year a failure to comply with LSA-RS 42:1 through 42:12 (the open meetings law) occurred in that the Board of Directors and the administrative staff did not completely understand what was required in order to comply with that law and simply opened its meetings to any interested person a board member saw fit to invite.

Criteria: Quasi-public entities are required to post a notice of each meeting and the accompanying agenda on the door of the quasi-public entity's office building.

Effect: Because of failure to comply with LSA-RS 42:1 through 42:12 (the open meetings law), people who walked by, or drove by, the YouthTruth location may have been interested persons who might have wanted to attend board meetings but did not have that opportunity unless they specifically called YouthTruth or personally visited to familiarize themselves with the organization and its programs and expressed a desire to attend meetings.

Questioned costs: \$0

Recommendation: The Organization should immediately begin holding its board meetings in compliance with the open meetings law.

Management's Response: Management will immediately hold its board meetings in compliance with the open meetings law.

Section III - Federal Award Findings and Questioned Costs

NOT APPLICABLE

YOUTHTRUTH, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
THE FINANCIAL STATEMENTS

2003-1 The Size of Organization's
Accounting and Administrative Staff
Precludes an Effective Segregation
of Duties With Regard to General
Accounting Functions.

Recommendation: The Board
of Directors should diversify their
involvement in the financial affairs
of the organization to provide over-
sight and independent review functions.

Partially Resolved

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS

NOT APPLICABLE - NO FINDINGS HAD BEEN REPORTED

SECTION III - MANAGEMENT LETTER

NOT APPLICABLE - NO FINDINGS HAD BEEN REPORTED

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
60233 Donya Street
Slidell, LA 70460
Phone/FAX (985) 781-4931

To the Senior Management and
The Board of Directors
Youthtruth, Inc.
316 Howze Beach Lane
Slidell, LA 70461

I have audited the basic financial statements of YouthTruth, Inc. as of and for the fiscal year ended June 30, 2007, and have issued my report thereon dated November 14, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of my examination, I have issued my report on the financial statements dated November 14, 2007 and my report on internal control and compliance with laws, regulations, and contracts dated November 14, 2007.

During the course of my examination, I became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2007-1 - Supporting Documentation for Disbursements

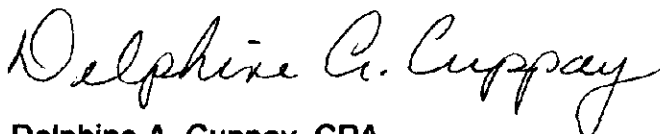
Condition: During the course of testing my cash disbursements, I noted that two out of forty disbursements tested did not have supporting documentation available. Internal controls should be in place that provide reasonable assurance that there is segregation of duties with regard to approval for transactions, recordation of transactions, supervision and timely review of financial information including the substantiation of expenses incurred by means of supporting documentation.

Cause: This condition was caused by inadequate controls over cash and accounting functions and the general lack of overall supervision and review of financial information due to the small size of the Organization's accounting and administrative staff.

Effect: This condition had the effect of weakening controls in the cash and accounting function.

Recommendation: I recommend that additional controls be established to preclude the issuance of expense checks without supporting documentation in connection therewith and that the documentation together with the check stub in payment thereof be filed away for recordkeeping purposes.

I recommend management address the foregoing issue as an improvement to operations and the administration of public programs. This recommendation is meant as a suggestion to improve and not to criticize management or the administrative accounting staff. I am available to further explain the suggestion or help implement the recommendation.

A handwritten signature in cursive script that reads "Delphine A. Cuppay".

Delphine A. Cuppay, CPA
Slidell, Louisiana

November 14, 2007

Management's Response: These two disbursements were isolated incidents. Youthtruth, Inc. does have controls in place providing for the maintaining of supporting documentation. We will strengthen this control by performing review of documentation at check signing and ensure that the check stub or copy be firmly attached to supporting documentation before filing away for recordkeeping purposes.